

Message Text

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PAGE 01 NOUAKC 01091 101531Z

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ACTION AF-18

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FM AMEMBASSY NOUAKCHOTT

TO SECSTATE WASHDC 1683

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PASS EXIM

E.O. 11652: N/A

TAGS: BSID, BPRO, MR

SUBJ: LANG SUGAR REFINERY CONTRACT

REF: NOUAKCHOTT 1052, 1058, 880, STATE 202241

SUMMARY: SIX MONTHS AFTER MAY 4 CONSTRUCTION CONTRACT SIGNING, LANG SUGAR REFINERY PROJECT IS GOING NOWHERE. LANG IS NOW INSISTING ON MAJOR CHANGES IN CONSTRUCTION CONTRACT AND THE TWO SIDES ARE STILL FAR FROM AGREEMENT ON MANAGEMENT CONTRACT. MINISTER OF INDUSTRIALIZATION SIDI HAS AGREED MEET LANG PRESIDENT ROBERT TEMPLE AT LOME TO DISCUSS NEW PROPOSALS. IF MEETING NOT SUCCESSFUL, SIDI SAYS HE WILL SEEK ARBITRATION FOR RETURN GIRM DOWN PAYMENT ON CONSTRUCTION CONTRACT. EMBASSY IS PRESENTLY STAYING OFF FIRING LINE, LIMITING ITS EFFORTS TO FACILITATION CONTACTS BETWEEN GIRM AND LANG.

1. HAVING CANCELLED PLANNED SEPTEMBER AND OCTOBER VISITS TO NOUAKCHOTT, LANG PRESIDENT TEMPLE WILL MEET SIDI NOVEMBER 11 IN LOME, WHERE BOTH PARTIES' TRAVEL ITINERARIES CROSS. IN PREPARATION FOR "SUMMIT" MEETING, TEMPLE THIS WEEK MAILED BRIEF OUTLINE HIS DEMANDS FOR SIDI'S STUDY. WE HAVE NOT SEEN OUTLINE, BUT UNDERSTAND IT CALLS FOR RENEGOTIATION CONSTRUCTION CONTRACT LEAVING GIRM WITH OPEN-ENDED COMMITMENT ABSORB LOCAL COSTS AND FOR REMOV-

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PAGE 02 NOUAKC 01091 101531Z

AL TIGHT PENALTIES FOR LANG NON-PERFORMANCE. LANG WOULD

REPORTEDLY AGREE ON FIXED PRICES ONLY FOR ENGINEERING
WORK AND US-MADE EQUIPMENT.

2. FYI. ABOVE REPORT ON LANG PROPOSALS FROM LOCAL
ENTREPRENEUR AND LANG REPRESENTATIVE, TO WHOM SIDI READ PARTS
TEMPLE LETTER. SOURCE REPORTS SIDI'S INITIAL REACTION AS ONE
OF DISAPPOINTMENT. SINCE NEW PROPOSAL PROVIDED FOR
LESS THAN ORIGINAL TURN-KEY CONTRACT MINISTER COMMENTED
HE WOULD BE OBLIGED INVOKE CONTRACT ARBITRATION CLAUSE
IF COMPROMISE NOT FOUND. END FYI.

3. COMMENT: DURING CONSTRUCTION NEGOTIATIONS AND SUBSEQUENT
TALKS RE MANAGEMENT CONTRACT, LANG HAS ACCUSED GIRM OF
FOOD-DRAGGING. LANG IS NOW OPEN TO SAME ACCUSATION.
ITS REPS HAVE AVOIDED NOUAKCHOTT FOR PAST 2 1/2 MONTHS.
LANG OFFICERS HAVE VISITED NOUAKCHOTT ONLY TWICE
SINCE MAY AND THEIR VISITS MAINLY CONSISTED OF
ABORTIVE PALAVER OVER MANAGEMENT CONTRACT. BECAUSE OF
LACK OF CLARITY LANG'S INTENTIONS, EMBASSY CONTINUES MAIN-
TAIN HANDS-OFF ATTITUDE TOWARD CONTRACT HASSLE.

4. MEANWHILE, THE CLOCK HAS CONTINUED TO RUN. ORIGINAL
CONTRACT CALLS FOR STIFF PENALTIES IF REFINERY NOT COMPLETED
AND IN OPERATION WITHIN 24 MONTHS FROM SIGNING DATE, MAY 4.
GIRM HAS ALREADY MADE FIRST MILLION DOLLAR PLUS PAYMENT TO
LANG AS CALLED FOR IN CONTRACT. OTHER PAYMENTS ARE NOW DUE.
WITH PRESIDENT AND COUNCIL OF MINISTERS ASKING HARD QUESTIONS,
SIDI MUST FISH OR CUT BAIT. DEADLINE FOR SOME POSITIVE ACTION
WOULD APPEAR TO BE LAST WEEK NOVEMBER, I.E. PRIOR TO NOV-
EMBER 28 INDEPENDENCE DAY CELEBRATION WHEN PRESIDENT REPORTS
TO PEOPLE ON YEAR'S ACCOMPLISHMENTS. IT SEEMS TO US UN-
LIKELY THAT SIDI AT THIS STAGE WANTS TO DROP LANG.
RATHER, HE WILL PROBABLY SEEK REASONABLE COM-
PROMISE. WE HERE CAN ONLY HOPE LANG/ISC SHARE WHAT WE SEE
AS STILL POSITIVE GIRM ATTITUDE. DECON 30 JUNE 1974.
MURPHY

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